



**ASX ANNOUNCEMENT
5 September 2006**

**PAPYRUS READY TO COMMENCE 1ST COMMERCIAL MANUFACTURING
PLANT**

Technology innovator Papyrus Australia Ltd (ASX: PPY) has now successfully completed the first phase of its project to take its banana ply paper (BPP) technology to commercial production.

The Company focus to date has been on the engineering activities associated with building the first commercial manufacturing line to produce the substrate derived from the banana tree trunk.

The Company has now completed phase one of the project, which includes stages one to four originally described in the prospectus dated 19th Jan. 2005, incorporating the design and integration of the various elements of the production line.

The Company believes that, following completion of phase one, it is in possession of all information required for the design and construction of a full commercial manufacturing facility. To this end the Company has held discussions with independent consultants with a view to shortly contracting preparation of final plans and specifications for the plant. On finalisation of those plans and specifications, the Company intends to proceed to a construction phase for the project. As a result of specific feedback and information from our collaborative partners, prospective customers and users, the Company will focus initially on the production of single ply sheet stock.

The Company will continue to produce samples that will be used for confirmation of the final production design as well as for trial and evaluation by customer groups."

"We are well on the way to achieving our goal of the first commercial BPP manufacturing plant in 2007", said Papyrus Australia COO Grant Pigot. "It is an exciting project with benefits for many groups worldwide as well a positive impact on the environment."

Further announcements will be made as these, and other, developments occur.

About Papyrus

Papyrus Australia Limited listed on the Australian Stock Exchange in April 2005 to develop and commercialise proprietary technology that will convert banana trunk fibre waste into banana ply paper and other products (BPP). This new form of paper is fire retardant and water repellent with natural resilience and a unique texture. BPP will complement existing paper manufacture and marketing operations by providing the raw material for the development of niche products based on these properties. The Company is building a prototype production facility to produce BPP from banana waste. The process is cost effective and environmentally friendly, with low energy and water requirements. Bananas are grown in 164 countries, making the raw material a readily available and renewable resource. www.papyrusaustralia.com.au

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